**RELATIONSHIP MARKETING AND CUSTOMER LOYALTY IN THE BAKING INDUSTRY OF UGANDA:**

**A CASE OF KIDDAWALIME BAKERY LTD**

**BY**

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**APRIL 2019**

# **DECLARATION**

I, Irene Kobusinje, declare that this work submitted is entirely mine and there is no previous submission for this work in any education institute.

Signature ………………………………… Date ……………………….

# **APPROVAL**

This dissertation has been under our supervision and is now ready for submission for examination. Submitted with our approval;

Signed: …………………………………... Date: …………………………………

**DR.KARIM SSESANGA**

Signed: …………………………………... Date: …………………………………

**MR. HANNINGTON BUSINGE**

# **DEDICATION**

I dedicate this dissertation to my parents Mr. Charles Lwabulindi, Mr.James Lukiika and Scovia Nabukulu for the moral and financial support. Despite the fact that you did not have an opportunity to go far with education, you have tirelessly worked and selflessly given to ensure that all your children attain any desired level of education available. To my husband Brian Muhumuza and son Jeremiah Ainamaani for enduring my endless bother of constant consultation and long nights away trying to put together this work, I am grateful.

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# **LIST OF ABBREVIATIONS**

CVI - Content Validity Index

DV - Dependent Variable

IV - Independent Variable

RM - Relationship Marketing

SPSS - Statistical Package for Social Sciences

**ABSTRACT**

The study was about Relationship marketing and Customer Loyalty in the baking industry of Uganda: A case of Kiddawalime bakery limited. Relationship marketing came into existence after businesses realizing that it was more financially costly and time consuming to look for a new client than it is to maintain an old customer. The study looked at three dimensions of relationship marketing that is communication, trust and commitment and how they are related to customer loyalty. The objectives of the study were; to establish the relationship between communication and customer loyalty at Kiddawalime Bakery, to examine the relationship between trust and customer loyalty at Kiddawalime Bakery and to examine the role of commitment in customer loyalty at Kiddawalime Bakery. The study employed a case study research design based on both qualitative and quantitative approaches. A sample size of 170 respondents was drawn from a population size of 200 respondents using the Krejcie and Morgan (1970) mathematical table. Data was collected from158 respondents using questionnaires and interviews. Content validity was ensured through judgement of the items by experts and also calculation of the content validity index. Communication and trust were found to have a moderate positive relationship with customer loyalty well as commitment was found to have a strong positive relationship with customer loyalty. In conclusion this research discovered that where trust exists, where communication is great and where commitment is high, relationships are successful. Recommendations were then made in regards to the findings.

# **CHAPTER ONE**

# **INTRODUCTION**

## 1.0 Introduction

This study examined the relationship between relationship marketing and customer loyalty at Kiddawalime Bakery Limited. Relationship marketing was the independent variable and customer loyalty was the dependent variable.

## 1.1 Background of the study

### 1.1.1 Historical Background

The term relationship marketing was first used by Leonard Berry in 1983, its practice originally was considered in the perspective of business to business customer and service industries due to the unique characteristics of these areas and the importance for closer buyer to seller relations. Relationship marketing came into existence after businesses realizing that it was more financially costly and time consuming to look for a new client than it is to maintain an old customer. As a matter of fact, Leonard Berry and Jagdish Sheth were the pioneers in using the concept of “Relationship Marketing”. However, although these scholars were the first to recognize its presence, relationship marketing was already being practiced but to a limited extent much prior to the coming of this terminology.

Berry (1983) advances that, “Relationship marketing is applicable in instances where there are substitute products and services, where it is dependent upon the buyer to select what he wants and when there is high demand for the service or product.” This statement has formed the starting point of the applicability of relationship marketing in business. This statement further shows that customers are at the center of all marketing programs worldwide and it is therefore worthy to maintain a proper relationship with them as profitability and success cannot be achieved without customers especially when they have alternatives to choose from.

Buttle (1996) while discussing about the evolution of relationship marketing concluded that marketing is currently focused on building and maintaining relationships that are long term as opposed to mere transaction. This has however greatly changed with one of the major changes being that it is currently pre occupied with keeping and maintaining customers as opposed to gaining new customers as was the case before. Due to the ever increasing business dynamics and competition, marketers fore saw a need to start focusing their marketing activities on particular groups of clients and customize their programs to them in order to have competitive advantage over the rest of the competitors (Petterson, 1962).

 Morgan and Hunt (1994) describe Relationship Marketing as “all steps practiced in marketing focused on building, growing and keeping business exchanges profitable.” In reality this means that for any gainful transactions to take place, there should be presence of a good relationship between the customer and the firm. What firms are currently doing is to gain new customers and transforming them into loyal customers considered to be “married” to the brand.

The growth of relationship marketing in Uganda resulted from the increase in number of businesses starting up, more so those engaged in similar products and services, especially due to the implementation of privatization. Marketing across the industry has become highly competitive because of the advancement of Liberalization, Privatization and Globalization. This is why we are experiencing a new wave of marketing that is being driven by customers with firms fighting to acquire a new set of customers and retaining existing ones in many different ways as they offer the same goods and services at the same price.

### 1.1.2 Theoretical Background

The study was guided by the commitment-Trust theory of relationship marketing introduced by Morgan and Hunt (1994) which states that two major elements of commitment and trust must be available for any relational exchanges to be successful. In addition it states that trust and commitment are a requirement for gainful relationship marketing as they contribute to positive behavior of relational partners. Relationship marketing necessitates meeting customer’s needs and fulfilling promises made to customers through forming partnerships with them instead of chasing single sales. In regards to relationship marketing, trust means a relational exchange concept that establishes the magnitude to which each partner believes that they can depend on the truthfulness of any offer made by the partner (Callaghan et al., 1995). In addition, trust is an important component of relational exchanges and seen as a core element in building Relationship marketing (Morgan & Hunt, 1994). This therefore shows that where trust is high between buyer and seller, there are high chances of maintaining and developing a long term relationship. Organizations that practice relationship marketing principles build long term partnerships with clients. This enables growth of trust and mutual benefit from the relational exchanges.

This theory is best suitable for this study as it comprises of the main best practices of relationship marketing and these include; trust, commitment and communication which are believed to be a requirement for the success of any long term relationship.

### 1.1.3 Conceptual Back ground

The concepts that guided this study were relationship marketing and customer loyalty. Relationship Marketing was the Independent variable and Customer Loyalty was the dependent variable. According to Morgan & Hunt (1994), Relationship Marketing is: “All steps of marketing taken to focus on building, growing and keeping profitable business exchanges.”

Relationship Marketing is concerned with closing the gap between the seller and buyer demonstrated by Trust, commitment (Morgan and Hunt, 1994), Communication and fulfillment of promises made(Gummesson, 1994).These dimensions of RM are what shall be focused on in this study.

Loyalty of a customer is a purchaser’s ultimate and devoted support for products and services of a particular firm (Oliver, 1999).

Building a loyal customer base is the dream of every organization since customers are the key to the success of any organization and a company’s growth is dependent on them.The characteristics of customer loyalty are mainly repeat purchases, referrals and positive word of mouth among others.

Loyalty of a customer grows a company’s profitability, decreases the defection rate of clients and builds new channels of business through satisfied customer endorsement (Zeithaml and Bitner, 2002). Customer loyalty can also be influenced by other factors like satisfaction which can be measured in terms of customer perceived value, customer expectations and their evaluation of the product or service.

### 1.1.4 Contextual Background

Kiddawalime bakery was established in 19

76 as a family business started by 5 biological brothers to serve the Ugandan market with bread. However because of competition and the ever changing customer needs, the company has since evolved by adding more products. According to a report by the product development team (2015), the bakery is currently producing a range of different products such bread, doughnuts, cakes, cookies and daddies. In addition, the bakery has also geographically expanded with branches across the country that is in Wakiso, Mityana, Masaka, Mbarara, Fortportal and Jinja. According to human resource report for the year 2017, it was stated that the bakery employees 3020 people in departments of transport, production, stores and inventory, finance and accounts, Operations, Loading and sales department.

The bakery products are sold to the market through the numerous bakery depots across the country and also through the company’s sales men by means of direct selling and these form the biggest part of the sales function.

Kiddawalime bakery has a marketing department that is responsible for managing relationships between the company and customers which ensures the following; customer complaints are dealt with appropriately, timely communication of any form of change to the customers, timely delivery of customers’ goods, matching delivery of goods with what the customer ordered, training of the sales force with soft skills like communication and also flexibility in dealing with inconsistent customer orders. However, according to the (2015) audit report on the marketing department, evidence that these practices were being adhered to was not visible.

In addition despite initiatives put in place to motivate the sales force like awarding shopping vouchers to the best performers, there has been continuous complaints from supervisors about vans returning with a lot of products un sold, reduction in orders from previous customers, existing markets being taken up by new entrants in the market (minutes of Annual General

 Meeting 2016).This therefore brought about the question of what impact relationship marketing has on loyalty of a customer ?

## 1.2 Statement of the Problem

Kiddawalime Bakery Limited has been one of the market leaders in the baking industry of Uganda and it is in the best interest of the company to improve its position to market leadership, improve clientele base and grow its market share. To achieve the above, Kiddawalime bakery has put in place different relationship marketing strategies to provide value and good service to its customers in order to develop customer loyalty. These strategies include loyalty points, toll free numbers to encourage customer feedback and sending gifts to customers on different festivals .However despite these strategies, the market share for Kiddawalime bakery has continued to drop from 19% in 2015 to 14% as at the end of 2017 (Kiddawalime Bakery reports 2015; 2016; 2017). Should this trend continue, Kiddawalime’s profits will greatly drop and this will have an effect on the general operations of the business, shareholder’s dividends will drop, some employees will lose jobs, taxes from Kiddawalime Bakery to government of Uganda will drop and the company could eventually close.

## 1.3 Purpose of the Study

The purpose of the study was to establish the relationship between customer relationship marketing and customer loyalty in the baking industry of Uganda using a case of Kiddawalime Bakery Ltd.

## 1.4 Objectives of the Study

1. To establish the relationship between communication and customer loyalty at Kiddawalime Bakery.
2. To examine the relationship between trust and customer loyalty at Kiddawalime bakery.
3. To examine the role of commitment in customer loyalty at Kiddawalime bakery.

## 1.5 Research Questions

1. What is the relationship between communication and customer loyalty at Kiddawalime bakery?
2. What is the relationship between trust and customer loyalty at Kiddawalime bakery?
3. What is the role of commitment in customer loyalty at Kiddawalime bakery?

## 1.6 Hypothesis of the Study

1. There is a relationship between communication and customer loyalty.
2. There is a relationship between trust and customer loyalty.
3. Commitment plays a role in customer loyalty.

## 1.7 Conceptual Framework

Conceptual frame work showing the relationship between relationship marketing and customer loyalty.

**INDEPENDENT VARIABLEDEPENDENT VARIABLE**

**RELATIONSHIP MARKETING CUSTOMER LOYALTY**

**Trust**

* Reliability
* Keeping promises
* Confidentiality

**Customer loyalty**

* Customer retention
* Repeat purchase
* Referrals
* Positive word of mouth

**Commitment**

* Desire to maintain a desired relationship
* Flexibility

**Communication**

* Timely information
* Interactive dialogue
* Two way information flow

***Source*:** *Adopted from Lambe, 1999: Zeithaml &Bitner, 2003: and Cronin and Taylor, 1992 and modified by the researcher*

Figure 1. 1: Conceptual framework on the relationship between Relationship marketing and customer loyalty

From the conceptual frame work above, it was hypothesized that there is a relationship between keeping relationships with customers and loyalty of a customer. If there is commitment, trust and effective communication, this is likely to influence customer loyalty in form of customer retention, repeat purchases, referrals and non-divided business.

## 1.8 Significance of the Study

The study is expected to be helpful in the different ways discussed below;

The study will enable management to locate the gap between relationship marketing and customer loyalty in Kiddawalime bakery.

The study will help management in policy formulations to better operations in the organization.

The findings of the study will add knowledge to the existing body of knowledge in the field of relationship marketing and customer loyalty.

## 1.9 Justification of the Study

Much as some research has already been done in the field of relationship marketing and customer loyalty, no specific study has been done on relationship marketing and customer loyalty at Kiddawalime bakery in particular. This study therefore seeks to provide answers to Kiddawalime Bakery’s drop in market share and low customer retention despite the numerous efforts by management like loyalty programs for customers. If this challenge is not solved now, it will greatly affect the profitability of the business, might lead to retrenchment of employees and government of Uganda will also lose heavily in taxes.

## 1.10 Scope of the Study

### 1.10.1 Geographical Scope

The bakery has a number of branches country wide but the study was carried out at Kiddawalime Bakery Headquarters in Bandwe Busiro in wakiso district because this is where challenges of customer disloyalty had been registered according to the Company Sales Reports(2016;2017).

### 1.10.2 Content Scope

The study focused on finding out whether there exists a relationship between relationship marketing and customer loyalty at Kiddawalime Bakery Ltd and this was measured by trust, commitment and communication as the independent variables and customer loyalty as the dependent variable measured by customer retention, repeat purchases, referrals and positive word of mouth. The study focused on staff and customers of the business.

### 1.10.3 Time Scope

The study was based on a period from 2015 to 2017 as this is the period Kiddawalime bakery’s market share dropped and also it is the same period where competition was recorded to be intense according to minutes of the AGM 2017.

## 1.11 Operational definitions of Terms and Concepts

**Relationship** in this study refers to intended continuous relational exchanges between a buyer and seller over a period of time with the intention of benefiting one another and both the parties view these relational exchanges as a relationship.

**Trust** is the confidence that one partner, the customer, has in the business’s reliability and integrity to deliver goods and services (Proctor, 2000).

**Commitment** is defined as a business partner having confidence in a mutual relationship with another partner and views the relationship as so beneficial that he can do anything to keep the relationship (Morgan and Hunt, 2004).

**Communication** is the regularity and amount of information flow among business partners (Palmatier, 2008).

**Customer loyalty** is a highly deep commitment to keep on purchasing a product or service in the future regardless of the fact that there are situational factors, which have been pontential to create switching behavior (Yim, David and Chan, 2008).

 **Relationship Marketing**

Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than on acquiring new customers (Zeithaml and Bitner, 2003).

# **CHAPTER TWO**

# **LITERATURE REVIEW**

## 2.0 Introduction

This chapter presents the current literature regarding relationship marketing and customer loyalty produced by other researchers as well as the different scholars.

The main sources of this literature was books and the use of the internet through google search engine, study journals and other academic works relevant to this study.

## 2.1 Theoretical Review

Morgan and Hunt (1994) introduced a relationship marketing theory which is the commitment –trust theory that put trust and commitment as major elements at the heart of relationship marketing success. Morgan and Hunt (2004) describe commitment as a business partner having faith that an existing bond with another partner is so beneficial that he is willing to keep it at all costs. Berry and Parasuraman (1993) (as cited in Morgan and Hunt, 1994) declare that commitment between partners is what builds relationships.

Until presently, there is no particular scope and definition of relationship marketing that has been agreed upon as this new paradigm has had a series of different debating studies (Parvatiyar et al, 2000). Relationship marketing has been defined differently by several authors. Harker (1999) has pointed out what is and is not relevant in constituting relationship marketing by examining 26 random definitions of relationship marketing. One of the reasons he has pointed out as to why they are so many differing opinions when it comes to relationship marketing is that the people responsible for the advancement of the relationship marketing theory are from extremely different academic backgrounds as well as socio-political heritages. He therefore concludes that the best definition of all is that which has been accepted by the whole relationship marketing community and also has the best coverage for the basic different conceptualizations of relationship marketing and that is the one advanced by Grönroos. According to Grönroos, relationship wise, the term marketing means: To develop, keep and build relationships with clients and other business partners gainfully to ensure that the different goals of each party are achieved. This is attained through the different relational exchanges and fulfillment of promises (Grönroos, 1997).

The definition above directly spells out an organization’s plans to shift focus from only acquiring new customers but also to put emphasis on establishing and building relationships with these customers. This however, does not necessarily mean that a company focusing on relationship marketing is not interested in gaining new customers. This philosophy was first seen in the marketing literature of 1983 (Parvatiyar and Sheth, 2000). Relationship marketing then got a lot of attention from different researchers after the conception of the idea by berry in 1983. However, up to now, the field of relationship marketing is still growing in underpinnings and practices that best inform and contribute to relationship building.

Organizations with good management seek to build relationships with their favorite customers and to boost the volumes of business conducted. The importance of relationship marketing compared to transactional or traditional marketing has been revealed by several studies since attracting one customer may cost an organization five or six times more compared to retaining one existing customer. In addition, it is also suggested that customers with whom a company has a long term relationship, have the most profitable and strongest relationships (Palmatier, 2008).

 There exist a number of theories in the marketing field that clarify the concept of relationship marketing. Many researchers have clearly shown a shift of focus between transactional marketing and relationship marketing in the past two decades. Christopher, Payne and Ballantyne (1991) demonstrated the variances in relationship marketing whose concern is developing relationships with buyers and transactional marketing whose focus is on marketing and sales. They showed that relationship market is not about short term orientation but rather long term relationships. Table 1 shows the differences between transactional marketing and relationship marketing.

**Table 2. 1: Transactional marketing and relationship marketing**

|  |  |
| --- | --- |
| **Transactional Marketing** | **Relationship Marketing** |
| Emphasis on one transaction | Emphasis is on several transactions to keep the customer |
| Focus is on the product design and elements | Focus is on the different values of a customer |
| Usually short term | Usually long term |
| Less focus on customer care | High focus on customer care |
| Limited customer commitment | High customer commitment |
| Limited communication with customer | A lot of communication with the customer |
| Production emphasis on quality | Quality emphasized for all processes |

**Source:** *Adapted from Christopher, Payne & Ballantyne, 1991.*

Relationship Marketing is mainly about bridging the gap between the seller and buyer, defined by commitment, trust (Morgan and Hunt, 1994) fulfilling of promises and communication (Gummesson, 1994).

# **2.2 Trust and Customer Loyalty**

Trust is deemed as a core prerequisite for the success of a relationship especially in business to business relationships because the buyers in a business to business relationship rarely change suppliers compared to consumers. Business to business customers in most cases focus on identifying suppliers who are reliable so that they can rely on them to supply goods in the desired quantity and time and this is referred to as trust. The advancement in the use of management practices like JUST IN TIME purchase management has stimulated anxiety only which trust in whom one is relating with can satisfy.

Where risk, desperacy and a buyer’s involvement are high, there is a high demand for a relationship between business partners .This therefore means depending on and trusting in the integrity of the other partner.

Trust is a belief or sincerity in regards to the other partner’s intention inside a partnership (bond). In RM perspective, trust is defined as, a relational exchange concept that establishes a degree to which each party believes that they can depend on the integrity and truthfulness of another party’s offer (Callaghan et al., 1995). Trust is also viewed as an important substance of economic relations, and viewed as a core element in building relationship marketing (Morgan & Hunt, 1994). This therefore shows that where trust amidst the relationship of the supplier and purchaser is high, the chances of existence of a long term relationship between them is high. A partner that can be trusted possesses characteristics like consistent, fair, honest, high integrity, responsible, helpful and reliable (Morgan and Hunt 1994; Geyskens and Steenkamp,1995). In services marketing, the customer will buy a service before they have experienced it, meaning that trust is key in such a transaction.

## 2.3 Commitment and Customer Loyalty

Relationship marketing literature is familiar with another element of customer loyalty known as commitment (Morgan and Hunt, 1994; Bendapudi and Berry, 1997).Commitment is defined as a business partner having faith that an existing relationship with another partner is so beneficial that he will do anything to keep it at all costs(Morgan and Hunt 1994).

Hocutt (1998), states that commitment could be termed as an element of satisfaction with whom one is receiving a service from, the quality of other providers and total investment in the relationship.

Bove and Johnson (2001) advance that commitment develops from the length of the relationship that is the longer the time invested in the relationship, the greater the loyalty and commitment of a customer. When the level of satisfaction is high, commitment is stronger and also when the quality of substitute goods or services is not good enough and where the capital involved is big.

The benefits of a relationship depend on the level of commitment which the firm experiences with the customer (Hennig, 2002). In a buyer seller relationship, commitment is usually taken as a compliment (Moorman et al.1993).

## 2.4 Communication and Customer Loyalty

In addition to cash and other resources that flow between two parties, another important indicator of relationship strength is the amount of contact between customer and supplier. Such interaction may be in various ways and this is dependent on the relationship nature and the sector. Bove and Johnson (2001) offer contact intensity, confining this factor to the quantity of interaction between the two parties.

## 2.5 Customer Loyalty

Lovelock et al.(1999),declare that in a business perspective, loyalty is described as “A buyers devotion to support an organization for a lengthy period of time by buying its products over others as well as encouraging friends and family to also support the firm.” Loyal customers directly build on the firm’s profitability (Heskett, Sasser & Schlesinger, 1997) and reduce costs while referring their relatives, friends and co-workers through positive word of mouth (Brink & Berndt, 2008; Buttle, 2009). Buttle (2009) advanced that a loyal client is highly committed and greatly involved with a firm at a level that is not just about repeat purchases. Organizations therefore must focus on building customers that are loyal in order to have an edge in the highly competitive business environment (Brink & Berndt, 2008). Godson (2009) also argues that in regards to relationship marketing, loyalty of a customer is key. Therefore there is no doubt that in this dynamic and ever changing business environment, firms can no longer only put all their emphasis on attracting customers or opening up new markets. In addition it is important to note that no advertising campaign can perform better than a loyal customer’s endorsement for a good or service. It is therefore important for firms to build trust, communication as well as commitment with the firm’s customers to enhance the loyalty of customers in building long term relationships to be able to enjoy the fruits of relationship marketing (Morgan & Hunt, 1994). Strengthening the loyalty of customers is therefore important as this is vital in the contribution of benefits through customer retention.

Heskett, Sasser and Schlesinger (1997) advance that, firms that seek to grow numbers of committed clients must supply their customers with financial and social benefits. Organizations have to build lengthy relationships with the buyers to enable them acquire customers that are loyal, give the customer incentives to motivate them to buy, have proper management of customer complaints and put in place channels to enable them receive feedback from customers. Consequently, an organization’s major focus in terms of relationship marketing is to ensure profitability through a big loyal customer base and also ensuring that it maintains long term relationships with the customers. Firms must ensure customer satisfaction and customer loyalty to better the performance of a business (Anderson and Mittal, 2000).

## 2.6 Summary of Literature Review

In conclusion, loyalty of a customer cannot be achieved from a single transaction or sale, but instead can be achieved through a series of transactions which must be satisfactory over a period of time and this is what differentiates relationship marketing from traditional target marketing. In traditional marketing, emphasis is put on designing a product in accordance to the needs of the customer which is limited to a single transaction or sale. Relationship marketing on the other hand looks at the task of winning a customer as a continuous process built continuously over time. The focus of relationship marketing therefore is on systems rather than products alone.

In addition, what satisfies a customer currently may not necessarily be satisfying to them at a later date hence the need for continuous improvement. Where exchanges continuously lead to satisfaction, trust will be built which will result into a behavior of loyalty and commitment.

Retaining a customer for a long time in markets that are competitive necessitates firms to surpass the ordinary satisfaction and deliver beyond a customer’s expectation through developing loyalty ties with customers in order to have competitive advantage over others. (Clark, 2001:160).

Several studies on relationship marketing by Grönroos (2004); plewa and quest (2007); Svensson( 2001); Mukherjee and Nath (2007) have based their studies on the commitment trust theory advanced by morgan and Hunt (1994) That advances that commitmentand trust are veryvital for the success of a relationship. Similarly from the research findings, commitment had the greatest impact on customer loyalty. Important to note is that most of these studies were carried out in a Business to Business perspective and not many have been carried out in a Business to Customer perspective. This research therefore sought to examine whether the findings in a B2C will be the same. It is also important to note that no study on relationship marketing and customer loyalty had been carried out in the baking industry of Uganda. The study therefore sought to discover if the findings will be similar to those of studies carried out in other industries and other areas around the world.

# **CHAPTER THREE**

# **METHODOLOGY**

## 3.0 Introduction

This chapter describes the following fields below.

## 3.1 Research Design

The study employed a case study research design based on both qualitative and quantitative approaches to help identify the link between Relationship Marketing and Customer loyalty in Kiddawalime Bakery. The advantage of this design is that it enables the use of data from different sources like observation, interviews, archival documents as well as physical artefacts to allow triangulation of findings. Triangulation helped the researcher to do away with any form of bias. Case study research design also enables in-depth investigation of the problem at hand. Yin (2003) argues that a case study is justifiable when questions of “how” and “why” are to be answered. Little research has been done in the field of RM and Customer Loyalty hence the need for an in depth study into the variables that could only be enabled using case study design.

## 3.2 Study Population

Population refers to the entire group of people, events or things of interest that the researcher wants to study (Sekaran, 2003).The study population comprised of all bakery registered customers who are 240.Staff of the bakery were also considered and these comprised of 10 managers and 20 sales representatives hence a total study population of 270.

## 3.3 Determination of Sample size

A sample is a subset of a population (Sekaran,2003).Each member in the sample is referred to as a subject (Mugenda and Mugenda,1999). A sample size of 173 respondents was drawn from a population size of 270 respondents using the Krejcie and Morgan (1970) mathematical table. This simplified decision on what sample size to adopt.

**Table 3. 1: Population, Sample size and Sampling Technique**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Population** | **Sample size** | **Sampling Technique** |
| Managers | 10 | 10 | Purposive sampling |
| Sales Representatives | 20 | 19 | Simple Random Sampling |
| Customers | 240 | 144 | Simple Random Sampling |
| **Total** | **270** | **173** |  |

## Source: *Morgan and Krejcie table of sample size determination (1970)*

## 3.4 Sampling Technique

The sampling techniques used were purposive sampling, simple random sampling.

### 3.4.1 Purposive Sampling

In purposive sampling, the researcher focuses on a particular group of people believed to have relevant information in regards to the study. The advantage of this technique was to select people rich in information due to their level of experience and expertise to enable in depth analysis of the issues under research. In this case, managers were given first priority as they were believed to be more knowledgeable on issues relating to the research study.

### 3.4.2 Simple Random Sampling

Simple random sampling gives the whole population an equal chance to be selected. This was advantageous because it reduces bias since the respondents are more likely to be representative of the entire population as every element is selected independently of every other element.

## 3.5 Data Collection Methods

Primary as well as secondary data collection methods were used. The primary source of data provided firsthand information from the respondents through questionnaire surveys and interviews well as secondary data was generated from document review sources such as bakery records, articles, Books, journals, Newspapers and any other documents that were viewed relevant to the study.

### 3.5.1 Questionnaire Survey

This was helpful in the collection of primary data from the staff of Kiddawalime bakery as well as the customers of its products. It consisted of closed ended questions that required short responses to enable uniformity as well as prevent any form of bias. Questionnaires covered a wide geographical area since researchers reach the respondents with much ease through questionnaires than any other method (Amin, 2005). These were personally delivered by the researcher to the different respondents and were be picked after 3 to 7 days as this was enough time for the respondents to fill them in at their time of convenience.

### 3.5.2 Interviews

Amin (2005) defines interview method as a face to face question and answer session or discussion where the person carrying out the study collects primary or firsthand data through direct verbal interaction with respondents. An interview guide consisting of open ended questions was followed by the researcher. This was intended to allow the respondents to express themselves freely in their own words and also to enable the researcher to capture perceptions more accurately.

### 3.5.3 Document Review

Documents are materials which contain information about a phenomenon that we desire to study. Secondary data was collected using document review method. This was sourced from journals of relationship market and customer loyalty, performance appraisal forms, books, newspapers and any other information that was found relevant for the study.

## 3.6 Data Collection Instruments

### 3.6.1Questionnaire

Self-administered questionnaires were used to collect data. A questionnaire is a set of questions that have been set with predetermined options of answers that the interviewee has to choose from. This method was mainly used for high level management as these are not easily accessed but through this instrument, the researcher was able to get their views in a way convenient to them. The data collected was also most likely to be free from bias as people were able to answer personal and embarrassing questions more willingly and accurately.

### 3.6.2 Interview Guide

Structured interviews helped in the collection data. An interview is a face to face purposeful conversation between an interviewer and a respondent. With structured interviews, each respondent was asked a sequence of similar questions. These questions were worked out before hand and standardized. This instrument was suitable for the study as it required relatively less skill on the side of the interviewer, provided a basis for generalization and was also economical. Interviews are also the most appropriate method for studying attitudes, values, beliefs and motives.

### 3.6.3 Document Review Check List

### The study reviewed literature from books newspapers, journals, and reports and also from different websites that were related to the variables in question that is relationship marketing and customer loyalty.

## 3.7 Data Quality Control

### 3.7.1 Validity

Best and Kahn (1993:208) define validity as a measure that ensures that the instruments and procedures used to collect data perform as they are meant to. There exist different types of validity and three of them are, content validity also called face validity, construct validity and criterion validity.

Content validity was ensured through judgment of the items by experts and also calculation of the content validity index using the formula below;

 CVI = No of items regarded relevant/ valid

 No of items rated

23 items out of 27 were considered by the judges to be relevant and the content validity was calculated to give the results below;

CVI = 24

 27

=0.85

With a content validity index of 0.85, this implied that the instruments were valid and relevant as Amin (2005) argues that the data collection instrument should be considered valid when the CVI is 0.7 and above.

In addition, content validity was also achieved by making sure interviews and questionnaires were issued to people who are known to have information about relationship marketing and customer loyalty. Questionnaires were given to experts in that field to read through and check if the questions and format was fit for purpose before they were sent out.

### 3.7.2 Reliability

Reliability refers to an indication of stability and consistency of the measuring instrument (Sekaran, 2003:203).The questionnaires were pilot tested on at least 30 people before they were sent out officially. Data obtained using the various instruments was computed using Statistical Package for Social Sciences to determine the Cronbachs Alpha Coefficient. Pallant (2010) emphasizes reliability by using Cronbach’s coefficient alpha, which indicates average correlations among the items or measures of one concept. Cronbach’s alpha values range from 0 to 1, where values near 0.7 are accepted, since it could be seen as a minimum level for reliability, but having a value over 0.8 when calculating Cronbach’s alpha is preferable. (Pallant, 2010)

**Table 3.2: Computed Cronbach Alpha value per questionnaire category**

|  |  |  |
| --- | --- | --- |
| **Category** | **Number of Items** | **Cronbach’s Alpha value** |
| **Trust** | **7** | **0.739** |
| **Commitment** | **6** | **0.903** |
| **Communication** | **9** | **0.923** |
| **Customer Loyalty** | **5** | **0.901** |

The cronbach’s Alpha values for all the variables was above 0.6 as recommended by Nunnally (1967) as cited by Kent (2001).This therefore means that the instrument was reliable.

## 3.8 Data collection procedures

A letter from Uganda Management Institute introducing the researcher to the respondents was obtained. The letter introduced the researcher to the different areas where research was carried out. The letter clearly defined the purpose of the research. Permission was also sought from Kiddawalime Bakery to enable the researcher to access the premises and be able to interview some of their staff as well as their customers. The questionnaires were personally delivered and distributed to the respondents in their different areas for filling by the researcher. These were later picked by the researcher who coded the data collected accordingly. For the purpose of interviews, appointments were sought with the different groups of people and venues booked prior to date of appointments for those who were not comfortable being interviewed from the work premises.

## 3.9 Measurement of Variables

Having a quantitative research approach involves evaluating data collected statistically, using numbers. Therefore, the researcher preferred to use measures on responses received that could be converted into numbers. The different levels of measurements used, will have an impact on what statistical technique is the most appropriate one when it comes to analyzing data and variables (Burns, 2000).

Ordinal scales as well as Nominal scales were used in regards to the questionnaire. Nominal levels are classified into categories by using different names, which do not have to have any existing association or relationship to the other categories used. This level of measurement only required that one can distinguish from one or two categories, based on having knowledge or objects to why one category is chosen and not the other. Nominal variables are often referred to as qualitative However it is preferable treating them as quantitative by assigning scores or numbers to the categories. The use of ordinal level of measurement has the ability to rank data. The variables were measured on the five-point Likert scale with closed ended questions rated on a scale of 5 ranks. This helped measure perceptions in terms of relationship marketing and customer loyalty.

## 3.10 Data Analysis

Data was analyzed using quantitative methods and also qualitative methods.

A number of techniques for analysis of data were employed to establish a whole sum picture of the population variables. Upon completion of data collection and its compilation, the data was assessed for its validity by classifying and analyzing it. Coding and editing of questionnaires was also done to check for completeness using a statistical package called SPSS.

### 3.10.1 Qualitative data analysis

For qualitative analysis, statements were organized as well as responses to produce useful conclusions and interpretations that best inform the objectives of the study (Sekaran, 2003).

Data was edited and re-organized into short statements that make sense to enable conclusions to be drawn using content analysis.

### 3.10.2 Quantitative data analysis

 Various Descriptive statistical methods were also used. These methods included mean also commonly known as average. The mean function of mathematics enables one to understand populations better. Standard deviation was also used to determine measures of dispersion. The findings were displayed using charts, tables and graphs.

In addition inferential statistics were used, using a correlation coefficient, the researcher carried out a correlation analysis and regression coefficient for regression analysis so as to determine the impact of relationship marketing on customer loyalty in Kiddawalime Bakery.

A correlation study is the best fitted method for carrying out a study in a company environment that is natural with limited researcher disruption (Sekaran,2003).

## 3.11 Ethical considerations

The researcher informed the participants on the purpose of the research, procedures to be employed and risks involved to ensure informed consent before participation.

In order to avoid invasion of privacy, there was no coercion to participate and participants were allowed freedom not to answer questions they do not desire to give their opinion about.

The researcher issued a letter of introduction to all the respondents clarifying that she is a student of Uganda Management Institute and that the research will be purposely for academic purposes.

The data collected was managed with utmost confidentiality, participants’ identity was disguised and for the case of interviews, the identity of the interviewees was not disclosed. The data was therefore anonymous, meaning, not related to any form of names or identification

# **CHAPTER FOUR**

# **PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS**

# **4.0 Introduction**

This chapter provides a presentation, analysis and interpretation of the research findings according to the three objectives of the study.

# **4.1 Response Rate**

The study targeted 10 key respondents that constituted of managers that participated in the interviews and 163 respondents that constituted of sales representatives and customers to fill the questionnaires and 8 responded to the interviews giving a response rate of 80.0%, whereas a total of 150 respondents filled the questionnaires. The overall response rate was 91.3% as declared below.

Table 4. 1: Response Rate

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Sample size** | **No of respondents** | **Response rate** |
| Managers | 10 | 8 |  80.0  |
| Sales Representatives | 19 | 17 |  89.5  |
| Customers | 144 | 133 |  92.4 |
| **Total** | **173** | **158** |  **91.3**  |

**Source:** *Primary data*

The data from Table 4.1 above shows that data was picked from a sufficient figure of respondents therefore showing that data received can easily be used for generalizations.

# **4.2. Respondents’ general information**

In this section, the study presents the general information of the 150 respondents only that filled the questionnaire. Gender, age and experience of the respondents are presented to appreciate their general information and assess whether each category was well represented in the study.

# **4.2.1. Respondents by Gender**

The participants were requested to state their gender, so as to assess whether both genders participated fairly in the study. The results are displayed in the figure below.

Figure 4. 1: Gender of respondents

**Source:** *Primary Data*

Figure 4.1 shows that both male and female respondents participated in the study, with the males constituting the majority, 81 (54.0%) whereas the females constituted 69 (46.0%).This suggests that both males and females were represented in the study.

# **4.2.2. Respondents by Age**

Respondents were requested to indicate their age so as assess the distribution of age amongst the respondents and the findings are presented in the figure 4.2 below.

Figure 4. 2: Respondents by Age

**Source:** *Primary Data*

Figure 4.2 portrays that a large number of respondents, 70 (46.7%) were 20 - 29 years, whereas 34 (22.7%), were 30 –39 years, 33 (22.0%) were 40-49 years and 13 (8.7%) only were 50 years and above. This suggests that young people participated more in the study.

# **4.2.3. Respondents by Experience**

Respondents were also requested to indicate the number of years they have worked or done business with Kiddawalime Bakery so as to assess whether they have sufficient experience to understand the relationship between relationship marketing and customer loyalty and the findings are presented in the figure 4.3 below.

Figure 4. 3: Respondents by Experience

**Source:** *Primary Data*

Figure 4.3 shows that the highest number of respondents, 55 (36.7%) had 6-10 years’ experience, whereas 54 (36.0%) had 2-5 years, 32 (21.3%) had over 10 years and 9 (6.0%) only had less than 2 years’ experience. This means that the majority, 94.0% had over 2 years’ working experience which is sufficient for one to understand the relationship between relationship marketing and customer loyalty.

# **4.3. Findings on the key study variables**

The findings of the key variables are presented using descriptive statistics (absolute numbers and percentages) to describe and summarize the data, and using inferential statistics of Pearson’s correlation coefficient to establish the degree and direction of relationship between relationship marketing and customer loyalty as well as test the research hypotheses.

## 4.3.1 Findings on customer loyalty

Using a questionnaire, Customer loyalty was measured requiring the respondents to show whether they agree or disagree with the statements provided and the results are displayed in table 4.2 below. Qualitative findings collected using the interview guides were used to supplement the quantitative findings presented in the table below.

Table 4. 2: Customer loyalty

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statements** | SA | A | NS | D | SD |
| I am willing to continue supporting Kiddawalime bakery by purchasing its products.  | 70 (46.7) | 48 (32.0) | - | 19 (12.7) | 13 (8.7) |
| I am willing to refer my friends, family and associates to Kiddawalime bakery so that they can also benefit from its products and services. | 41 (27.3) | 63 (42.0) | - | 40 (26.7) | 6 (4.0) |
| I do not have any plans of switching to buy products from any other bakery except Kiddawalime bakery. | 21 (14.0) | 55 (36.7) | - | 48 (32.0) | 26 (17.3) |
| I Attain referrals from online plat forms as well as through other marketing forms | 34 (22.7) | 55 (36.7) | - | 7 (4.7) | 54 (36.0) |
| I embrace a customer-oriented culture whose role is to keep selected customers for a lengthy period.  | 48 (32.0) | 68 (45.3) | 7 (4.7) | 27 (18.0) | - |

**Source:** *Primary data*

Table 4.2 reveals that a big number of the participants were generally in agreement on the five statements used to measure customer loyalty as presented below.

On the issue of whether customers are willing to continue supporting Kiddawalime bakery by purchasing its products, 46.7% strongly agreed, whereas 32.0% agreed, while 12.7% disagreed and 8.7% strongly disagreed. This means that the majority, 78.7% agreed that customers are willing to continue supporting Kiddawalime bakery by purchasing its products.

In respect to whether customers are willing to refer their friends, family and associates to Kiddawalime bakery so that they can also benefit from its products and services, 27.3% strongly agreed, whereas 42.0% agreed, while 26.7% disagreed and 4.0% strongly disagreed. This implies that the majority, 69.3% agreed that customers are willing to refer their friends, family and associates to Kiddawalime bakery so that they can also benefit from its products and services.

In respect to whether, as customers they do not have any plans of switching to buy products from any other bakery except Kiddawalime bakery, 14.0% strongly agreed, whereas 36.7% agreed, while 32.0% disagreed and 17.3% strongly disagreed. This shows that the majority, 50.7% agreed that as customers they do not have any plans of switching to buy products from any other bakery except Kiddawalime bakery.

On whether they attain referrals from online plat forms as well as through other marketing forms, 22.7% strongly agreed, whereas 36.7% agreed, 4.7% only disagreed and 36.0% strongly disagreed. This means that the majority, 59.4% agreed that they attain referrals from online plat forms as well as through other marketing forms.

Furthermore on whether they embrace a customer-oriented culture whose role is to keep selected customers for a lengthy period, 32.0% strongly agreed, whereas 45.3% agreed, while 4.7% only were not sure and 18.0% strongly disagreed. The above means that the majority, 77.3% agreed that they embrace a customer-oriented culture whose role is to keep selected customers for a lengthy period.

When a manager was asked what customers of Kiddawalime bakery do that shows that they are loyal it was revealed as thus; *”Loyal customers usually give feedback, they are also eager to help and give advice on change of the bread compared to other bakeries”.*

Asked further what Kiddawalime bakery has to do to make her customers loyal, it was revealed as thus; *“Kiddawalime bakery continuously improves on her products to suit the changing needs of her customers. We also invite our best customers for end of year parties”*

## 4.3.2 Trust and Customer Loyalty at Kiddawalime Bakery;

To know the respondents ideas on trust, so as to establish whether it has a relationship with customer loyalty at Kiddawalime Bakery, the study used seven statements that gave the respondents a chance to tick whether they agree or do not agree. Qualitative findings collected using the interview guides were used to supplement the quantitative results shown in the table 4.3 below

Table 4. 3: Findings on Trust at Kiddawalime Bakery

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statements measuring trust** | **SA** | **A** | **NS** | **D** | **SD** |
| Goods are delivered to customers on time. | 88 (58.7) | 41 (27.3) | 7 (4.7) | 7 (4.7) | 7 (4.7) |
| There is consistency of bakery products in terms of quality. | 49 (32.7) | 48 (32.0) | - | 28 (18.7) | 25 (16.7) |
| Bakery products are always delivered to customers in the right quantities. | 34 (22.7) | 49 (32.7) | - | 47 (31.3) | 20 (13.3) |
| Kiddawlime Bakery ensures that it fulfills all the promises made to customers. | 40 (26.7) | 49 (32.7) | - | 54 (36.0) | 4 (4.7) |
| I feel very little risk when dealing with Kiddawalime bakery. | 56 (37.3) | 48 (32.0) | - | 40 (26.7) | 6 (4.0) |
| Information provided by kiddawalime bakery is always accurate. | 48 (32.0) | 47 (31.3) | 7 (4.7) | 42 (38.0) | 6 (4.0) |
| Kiddawalime bakery exhibits a high level of trustworthiness and reliability.  | 48 (32.0) | 61 (40.7) | 7 (4.7) | 21 (14.0) | 13 (8.7) |

**Source:** *Primary data*

From the table above, on the issue of whether goods are delivered to customers on time, 58.7% strongly agreed, whereas 27.3% agreed, 4.7%only were not sure, while a similar number disagreed and strongly disagreed. This means that the majority, 86.0% agreed that goods are delivered to customers on time.

In regard to whether there is consistency of bakery products in terms of quality, 32.7% strongly agreed, whereas 32.0% agreed, while 18.7% disagreed and 16.7% strongly disagreed. This implies that the majority, 64.7% agreed that there is consistency of bakery products in terms of quality.

In respect to whether Bakery products are always delivered to customers in the right quantities, 22.7% strongly agreed, whereas 32.7% agreed, while 31.3% disagreed and 13.3% strongly disagreed. This indicates that the majority, 55.4% agreed that bakery products are always delivered to customers in the right quantities.

On whether Kiddawlime Bakery ensures that it fulfills all the promises made to customers, 26.7% strongly agreed, whereas 32.7% agreed, while 36.0% disagreed and 4.7% strongly disagreed. This shows that the majority, 59.4% agreed that Kiddawlime Bakery ensures that it fulfills all the promises made to customers.

In regard to whether they feel very little risk when dealing with Kiddawalime bakery, 37.3% strongly agreed, whereas 32.0% agreed, while 26.7% disagreed and 4.0% only strongly disagreed. This means that the majority, 69.3% agreed that they feel very little risk when dealing with Kiddawalime bakery.

In respect to whether information provided by kiddawalime bakery is always accurate, 32.0% strongly agreed, whereas 31.3% agreed, 4.7% only were not sure, while 38.0% disagreed and 4.0% only strongly disagreed. This implies that the majority, 63.3% agreed that information provided by kiddawalime bakery is always accurate.

Furthermore on whether Kiddawalime bakery exhibits a high level of trustworthiness and reliability, 32.0% strongly agreed, whereas 40.7% agreed, 4.7% only were not sure, while 14.0% disagreed and 8.7% strongly disagreed. This means that the majority, 72.7% agreed that Kiddawalime bakery exhibits a high level of trustworthiness and reliability.

When another manager was asked how the bakery ensures that customers are given the right goods at the right time, in the right quantities and quality and at the right place, it was revealed as thus; *“We make calls per order while still in the market so that when they come the goods are ready”*.

Another respondent revealed as thus; *“Communication is printed out and given to sales representatives to give to the customers. The bakery association also does several communications”*.

## 4.3.2.1 Correlation Analysis for Trust and Customer Loyalty at Kiddawalime Bakery

In order to measure the degree and direction of the relationship between trust and customer loyalty, Pearson’s product-moment correlation coefficient was calculated and the results are displayed in table 4.4 below.

Table 4. 4: Correlation Matrix for Trust and Customer Loyalty

|  |  |  |
| --- | --- | --- |
|  | Trust | Customer Loyalty |
| Trust | Pearson Correlation | 1 | .663\* |
| Sig. (2-tailed) |  | .000 |
| N | 150 | 150 |
| Customer Loyalty | Pearson Correlation | .663\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 150 | 150 |
| \*. Correlation is significant at the 0.05 level (2-tailed). |

Table 4.4 indicates a moderate positive relationship between trust and customer loyalty (r=0.663, p=0.000, n=150). The relationship is statistically significant at 95% confidence level since the p-value (Sig.) of .000 is less 0.050 meaning that improvements in trust are related to improvements in customer loyalty. Similarly decline in trust is related to decline in customer loyalty.

The study findings from correlation analysis established that trust has a moderate positive statistically significant relationship with customer loyalty. Therefore the research hypothesis: *There is a relationship between trust and customer loyalty*, was accepted as shown by the Pearson’s correlation R value of 0.663.

## 4.3.3 The role of commitment in customer loyalty at Kiddawalime Bakery

In order to know the different ideas of the respondents on commitment, so as to establish whether it has a relationship with customer loyalty at Kiddawalime Bakery, the study used six basic commitment practices for the respondents to choose from to show whether they are in agreement or not. Qualitative findings collected using the interview guides were used to supplement the quantitative discoveries shown in the table below

Table 4. 5: Commitment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statements** | **SA** | **A** | **NS** | **D** | **SD** |
| The bakery engages in product customization for key customers for example “Baked specifically for St Lawrence schools”. | 42 (28.0) | 41 (27.3) | 7 (4.7) | 35 (23.3) | 25 (16.7) |
| The bakery consistently goes out of its way to let customers know how much they are valued. | 60 (40.0) | 56 (37.3) | - | 34 (22.7) | - |
| I expect my relationship with Kiddawalime bakery to continue for a long time. | 62 (41.3) | 48 (32.0) | - | 40 (26.7) | - |
| Kiddawalime bakery is committed to betterment of its customers. | 35 (23.3) | 62 (41.3) | 7 (4.7) | 34 (22.7) | 12 (8.0) |
| I feel a sense of belonging with Kiddawalime bakery. | 48 (32.0) | 41 (27.3) | - | 41 (27.3) | 20 (13.3) |
| Kiddawalime staffs are committed to problem solving as and when issues with customers occur. | 68 (45.3) | 35 (23.3) | 7 (4.7) | 21 (14.0) | 19 (13.7) |

**Source:** *Primary data*

From the results above, on the issue of whether the bakery engages in product customization for key customers, 28.0% strongly agreed, whereas 27.3% agreed, 4.7% only were not sure, while 23.3% disagreed and 16.7% strongly disagreed. This means that the majority, 55.3% agreed that the bakery engages in product customization for key customers.

In regard to whether the bakery consistently goes out of its way to let customers know how much they are valued, 40.0% strongly agreed, whereas 37.3% agreed and 22.7% disagreed. This implies that the majority, 77.3% agreed that the bakery consistently goes out of its way to let customers know how much they are valued.

On whether they expect their relationship with Kiddawalime bakery to continue for a long time, 41.3% strongly agreed, whereas 32.0% agreed and 26.7% disagreed. This shows that the majority, 73.3% agreed that they expect their relationship with Kiddawalime bakery to continue for a long time.

In regard to whether Kiddawalime bakery is committed to betterment of its customers, 23.3% strongly agreed, whereas 41.3% agreed, 4.7% only were not sure, while 22.7% disagreed and 8.0% only strongly disagreed. This indicates that the majority, 64.6% agreed that Kiddawalime bakery is committed to betterment of its customers.

In respect to whether they feel a sense of belonging with Kiddawalime bakery, 32.0% strongly agreed, whereas 27.3% agreed, while 27.3% disagreed and 13.3% strongly disagreed. This implies that the majority, 59.3% agreed that they feel a sense of belonging with Kiddawalime bakery.

Furthermore on whether Kiddawalime staff are committed to problem solving as and when issues with customers occur, 45.3% strongly agreed, whereas 23.3% agreed, 4.7% only were not sure, while 14.0% disagreed and 13.7% strongly disagreed. This means that the majority, 68.6% agreed that Kiddawalime staff are committed to problem solving as and when issues with customers occur.

When one of the respondents was asked how the bakery appreciates her customers, it was revealed as thus; “*We usually give them free items like calendars, aprons and other gifts at the end of the year. We also give offers when one buys bread. For example one buys bread, he/she get free blue band”.*

Asked further what plans the bakery has for customization of its products to suit particular groups of customers, it was revealed as thus; *“We brand functional items like for introduction ceremonies specifically using shaker”*.

## 4.3.3.1 Correlation Analysis for of Commitment and Customer Loyalty

In order to measure the degree and direction of the relationship between commitment and customer loyalty, Pearson’s product-moment correlation coefficient was calculated and the results are presented in table 4.6 below.

Table 4. 6: Correlation Matrix for Commitment and Customer Loyalty

|  |  |  |
| --- | --- | --- |
|  | Commitment | Customer Loyalty |
| Commitment | Pearson Correlation | 1 | .720\* |
| Sig. (2-tailed) |  | .000 |
| N | 150 | 150 |
| Customer Loyalty | Pearson Correlation | .720\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 150 | 150 |
| \*. Correlation is significant at the 0.05 level (2-tailed). |

Table 4.6 indicates a strong positive relationship between commitment and customer loyalty (r=0.720, p=0.000, n=150). The relationship is statistically significant at 95% confidence level since the p-value (Sig.) of .000 is less 0.050. This means that improvements in commitment are related to improvements in customer loyalty. Similarly decline in commitment is related to decline in customer loyalty.

The study findings from correlation analysis established that there is a strong positive statistically significant relationship between commitment and customer loyalty displayed by Pearson’s R value of 0.720. Therefore the research hypothesis: *There is a relationship between commitment and customer loyalty*, was accepted.

## 4.3.4 Communication and Customer Loyalty at Kiddawalime Bakery

In order to know the views of the respondents on communication, so as to establish whether it has a relationship with customer loyalty at Kiddawalime Bakery, the study used nine communication best practices to enable the respondents give views on their agreement levels. Qualitative findings collected using the interview guides were used to supplement the quantitative findings shown in the table 4.7 below

 Table 4. 7: Communication

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statements** | **SA** | **A** | **NS** | **D** | **SD** |
| Kiddawalime bakery carries out research regularly on their clientele to enable them find out challenges that their customers face and market needs.  | 47 (31.3) | 49 (32.7) | 7 (4.7) | 27 (18.0) | 20 (13.3) |
| Keeps customer addresses and/or phone numbers on file in order to respond to customers who contact the firm placing their orders | 56 (37.3) | 47 (31.3) | - | 26 (17.3) | 21 (14.0) |
| Kiddawalime bakery contacts its customers to inform of them about any new products. | 49 (32.7) | 48 (32.0) | 7 (4.7) | 32 (21.3) | 14 (9.3) |
| Usually enters into one-to-one communication with a customer.  | 60 (40.0) | 63 (42.0) | - | 20 (13.3) | 7 (4.7) |
| Analyzes customer data to look for information on past relationships which can help build relational exchanges.  | 55 (36.7) | 35 (23.3) | - | 39 (26.0) | 21 (14.0) |
| Integrates feedback given by customers so as to better its products and service delivery.  | 48 (32.0) | 75 (50.0) | - | 21 (14.0) | 6 (4.0) |
| Customers are always able to reach Kiddawalime bakery through its help lines. | 49 (32.7) | 35 (23.3) | - | 48 (32.0) | 18 (12.0) |
| Relates with social media platforms like Facebook and Twitter to communicate with customer.  | 61 (40.7) | 27 (18.0) | - | 49 (32.7) | 13 (8.7) |
| Possesses an efficient system of monitoring and effective [listening](http://www.dreamgrow.com/48-free-social-media-monitoring-tools/)[**.**](http://wiki.kenburbary.com/home) | 54 (36.0) | 42 (28.0) | 7 (4.7) | 27 (18.0) | 20 (13.3) |

**Source:** *Primary data*

Table 4.7 shows that, on the issue of whether Kiddawalime bakery carries out research regularly on their clientele to enable them find out challenges that their customers face and market needs, 31.3% strongly agreed, whereas 32.7% agreed, 4.7% were not sure, while 18.0% disagreed and 13.3% strongly disagreed. This means that the majority, 64.0% agreed that Kiddawalime bakery carries out research regularly on their clientele to enable them find out challenges that their customers face and market needs.

In regard to whether they keep customer addresses and/or phone numbers on file in order to respond to customers who contact the firm placing their orders, 37.3% strongly agreed, whereas 31.3% agreed, while 17.3% disagreed and 14.0% strongly disagreed.

In respect of whether Kiddawalime bakery contacts its customers to inform of them about any new products, 32.7% strongly agreed, whereas 32.0% agreed, 4.7% only were not sure, while 21.3% disagreed and 9.3% only strongly disagreed. This shows that the majority, 64.7% agreed that Kiddawalime bakery contacts its customers to inform of them about any new products.

On whether they usually enter into one-to-one communication with a customer, 40.0% strongly agreed, whereas 42.0% agreed, while 13.3% disagreed and 4.7% only strongly disagreed. This indicates that the majority, 82.0% agreed that they usually enter into one-to-one communication with a customer.

In regard to whether they analyze customer data to look for information on past relationships which can help build relational exchanges, 36.7% strongly agreed, whereas 23.3% agreed, while 26.0% disagreed and 14.0% strongly disagreed. This implies that the majority, 60.0% agreed that they analyze customer data to look for information on past relationships which can help build relational exchanges.

In respect to whether they integrate feedback given by customers so as to better its products and service delivery, 32.0% strongly agreed, whereas 50.0% agreed, while 14.0% disagreed and 4.0% strongly disagreed. This means that the majority, 82.0% agreed that they integrate feedback given by customers so as to better its products and service delivery.

On whether customers are always able to reach Kiddawalime bakery through its help lines, 32.7% strongly agreed, whereas 23.3% agreed, while 32.0% disagreed and 12.0% strongly disagreed. This indicates that the majority, 60.0% agreed that customers are always able to reach Kiddawalime bakery through its help lines.

In respect to whether they relate with social media platforms like Facebook and Twitter to communicate with customer, 40.7% strongly agreed, whereas 18.0% agreed, while 32.7% disagreed and 8.7% only strongly disagreed. This means that the majority, 58.7% agreed that they relate with social media platforms like Facebook and Twitter to communicate with customer.

Furthermore on whether they possess an efficient system of monitoring and effective [listening](http://www.dreamgrow.com/48-free-social-media-monitoring-tools/), 36.0% strongly agreed, whereas 28.0% agreed, 4.7% only were not sure, while 18.0% disagreed and 13.3% strongly disagreed. This implies that the majority, 64.0% agreed that they possess an efficient system of monitoring and effective [listening](http://www.dreamgrow.com/48-free-social-media-monitoring-tools/).

When one of the respondents was asked about whether staff are trained on customer relationship management, it was revealed as thus; *“New sales representatives are trained by the existing sales representatives. However some sales representatives do things differently from what they were taught”.*

Asked further how customer complaints are managed, it was revealed as thus; *“Customer complaints are handled as soon as they are received”.*

Another manager asserted; *“One of the managers moves with the sales representatives to interface with the customers and engage them to solve their problems in an apologetic manner”.*

## 4.3.4.1 Correlation Analysis for Communication and Customer Loyalty

In order to measure the degree and direction of the relationship between communication and customer loyalty, Pearson’s product-moment correlation coefficient was calculated and the results are presented in table 4.8 below.

 Table 4. 8: Correlation Matrix for Communication and Customer Loyalty

|  |  |  |
| --- | --- | --- |
|  | Communication | Customer Loyalty |
| Communication | Pearson Correlation | 1 | .695\* |
| Sig. (2-tailed) |  | .000 |
| N | 150 | 150 |
| Customer Loyalty | Pearson Correlation | .695\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 150 | 150 |
| \*. Correlation is significant at the 0.05 level (2-tailed). |

Table 4.8 shows that there is a strong positive moderate relationship between communication and customer loyalty (r=0.695, p=0.000, n=150). The relationship is statistically significant at 95% confidence level since the p-value (Sig.) of .000 is less 0.050. This means that the amount and frequency of communication between Kiddawalime and its clients is one of the factors that influence customer loyalty at the bakery. This is confirmed by the Pearson’s R value which was calculated at 0.695.

The study findings from correlation analysis established that there is a moderate positive statistically significant relationship between communication and customer loyalty. Therefore the research hypothesis: *There is a relationship between communication and customer loyalty*, was accepted.

# **CHAPTER FIVE**

# **SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

# **5.0 Introduction**

# This chapter presents the summary, discussions, conclusions and recommendations drawn from the research findings in relation to Relationship Marketing and customer loyalty at Kiddawalime bakery. In this chapter, limitations of the study, contributions to the study and areas for further study are also discussed.

# **5.1 Summary of the findings**

# **5.1.1 Trust and customer loyalty**

The study findings revealed that there is a moderate positive relationship between trust and customer loyalty and those improvements in trust are related to improvements in customer loyalty.

# **5.1.2 Commitment and customer loyalty**

The study findings revealed that there is a strong positive relationship between commitment and customer loyalty and that improvements in commitment are related to improvements in customer loyalty.

# **5.1.3 Communication and customer loyalty**

The study findings revealed that there is a moderate positive relationship between communication and customer loyalty and that improvements in communication are related to improvements in customer loyalty.

# **5.2 Discussion of the findings**

# **5.2.1 Trust and Customer Loyalty**

Under objective one, the study sought to examine the relationship between trust and customer loyalty at Kiddawalime Bakery and established that there is a moderate positive relationship between trust and customer loyalty. This means that improvements in trust are related to improvements in customer loyalty. Similarly decline in trust is related to decline in customer loyalty. The findings are in agreement with Callaghan et al., (1995) they advanced that Trust can be defined as a belief or sincerity in regards to other party’s intention inside a partnership (bond). In RM perspective, trust is defined as, a relational exchange concept that establishes a degree to which each party believes that they can depend on the integrity and truthfulness of another party’s offer. Furthermore, Morgan & Hunt, (1994) alludes that trust is an important substance of business relationships, and recognized as a core element in modeling relationship marketing. It therefore shows that where trust between the supplier and buyer is high, the chances of existence of a long term relationship between them are high. A partner that can be trusted possesses characteristics like consistent, fair, honest, high integrity, responsible, helpful and reliable (Morgan and Hunt 1994; Geyskens and Steenkamp, 1995). In services marketing, the customer will buy a service before they have experienced it meaning that trust is a key element in such a transaction.

# **5.2.2 Commitment and Customer Loyalty**

Commitment was found to have a strong positive role in customer loyalty. This means that improvements in commitment are related to improvements in customer loyalty. Similarly decline in commitment is related to decline in customer loyalty. The findings are in agreement with Hocutt (1998) who posits that commitment is an element of satisfaction with whom one is receiving a service from, the quality of other providers and total investment in the relationship. Additionally, Bove and Johnson (2001) advance that commitment in a relationship develops from the length of the relationship that is the longer the time invested in the relationship, the greater the loyalty and commitment of a customer. When the level of satisfaction is high, commitment is stronger and also when the quality of substitute goods or services is not good enough and where the capital involved is big. The benefits of a relationship depend on the level of commitment which the firm experiences with the customer (Hennig, 2002). In a buyer seller relationship, commitment is usually taken as a compliment (Moorman et al.1993).

## 5.2.3 Communication and Customer Loyalty

Under objective three, the study sought to establish the relationship between communication and customer loyalty at Kiddawalime Bakery and it was established there is a strong positive moderate relationship between communication and customer loyalty. This means that improvements in communication are related to improvements in customer loyalty. Similarly decline in communication is related to decline in customer loyalty.

The findings are in agreement with Hausman (2001) and Zineldin (1996) who assert that qualitative elements, such as the openness of communication and the nature of institutional interfaces indicate that interaction can be in form of business transactions and also in form of social bonds. Additionally, Lovelock et al. (1999) advance those loyal customers directly build on the firm’s profitability and reduce costs while referring their relatives, friends and co-workers through positive word of mouth. In addition, profitability of a firm and the loyalty of its customers greatly impact on the duration of a relationship between the customer and the firm (Heskett, Sasser & Schlesinger, 1997; Baron, Conway & Warnaby, 2010). Buttle (2009) advanced that a loyal client is highly committed and greatly involved with a firm at a level that is not just about repeat purchases. Organizations therefore must focus on building customers that are loyal in order to have an edge in the highly competitive business environment (Brink & Berndt, 2008). Godson (2009) furthermore stressed the point that there is no doubt that in this dynamic and ever changing business environment, firms can no longer only put all their emphasis on attracting customers or opening up new markets. In addition, it is important to note that no advertising campaign can perform better than a loyal customer’s endorsement for a good or service. It is therefore important for firms to build trust, communication as well as commitment with the firm’s customers to enhance the loyalty of customers in building long term relationships to be able to enjoy the fruits of relationship marketing (Morgan & Hunt, 1994). Strengthening the loyalty of customers is therefore important as this is a key element in the contribution of benefits through customer retention.

# **5.3 Conclusions**

The conclusions are presented in the sequence of the different objectives and on findings for the different independent variables. These details discussed throughout the document further show the relationship between relationship marketing and customer loyalty in the baking industry of Uganda using a case of Kiddawalime Bakery Ltd.

# **5.3.1 Trust and Customer Loyalty**

The findings revealed that there was a moderate positive relationship between trust and customer loyalty of 0.663 R value of Pearson’s correlation. This means that improvements in trust are related to improvements in customer loyalty. Similarly decline in trust is related to decline in customer loyalty. It was further established that there were some lessons learnt from the study to be upheld which include; Continuity of delivering of Goods to customers on time, uphold the consistency of bakery products in terms of quality, uphold the right quantity of bakery products, uphold fulfillment of all the promises made to customers, uphold delivery of accurate information to clients and lastly Kiddawalime bakery should continue exhibiting a high level of trustworthiness and reliability.

# **5.3.2 Commitment and Customer Loyalty**

The findings revealed that there is a strong positive relationship between commitment and customer loyalty of 0.720 R value of Pearson’s correlation. This means that improvements in commitment are related to improvements in customer loyalty. Similarly decline in commitment is related to decline in customer loyalty. It was further established that there were some key lessons to uphold which included; continuity of engaging in product customization for key customers, uphold the Consistency in products delivered as this lets customers know how much they are valued and they should continue with the Kiddawalime staff being problem solvers as and when issues with customers occur.

# **5.3.3 Communication and Customer Loyalty**

The findings revealed that there is a strong positive moderate relationship between communication and customer loyalty of 0.695 R value of Pearson’s correlation. This means that improvements in communication are related to improvements in customer loyalty. Similarly decline in communication is related to decline in customer loyalty. It was further established that there were some key lessons to uphold which included; Continuity in carrying out research regularly on their clientele to enable them find out challenges that their customers face and market needs, Keep customer addresses and/or phone numbers on file in order to respond to customers who contact the firm placing their orders, uphold contacting its customers to inform them about any new products, uphold one-to-one communication with a customer. Furthermore, the management needs to uphold analysis of customer data to look for information on past relationships which can help build relational exchanges, uphold the digital relationship through social media platforms like Facebook and Twitter to communicate with customers.

## 5.4 Recommendations

Based on the study conclusions, a number of recommendations were made. These were in line with the objectives of the study and are stated below accordingly.

## 5.4.1 Trust and Customer Loyalty

The bakery management should uphold delivering of Goods to customers on time as this breeds trust and a well nurtures the bond between the customers and the company. This in the long term drives the much sought after customer loyalty in business.

The Kiddawalime bakery management should also uphold the consistency of quality and quantity of its bakery products as this grows the much desired trust between customer and the business and in the long term both the business and the customer benefit in multiples.

The Kiddawalime bakery management should uphold fulfillment of all the promises made to customers auxiliary to delivery of accurate information to clients on top of exhibiting a high level of trustworthiness and reliability.

## 5.4.2 Commitment and Customer Loyalty

The bakery needs to build on branding goods uniquely for those customers that have been committed to them as this can also attract other customers to buy the bakery goods.

The staffs of Kiddawalime bakery need to up hold the commitment with which they solve the problems that their customers experience.

## 5.4.3 Communication and Customer Loyalty

The management of Kiddawalime Bakery should continue in carrying out market research regularly on their clientele to enable them find out challenges that their customers face and market needs.

The bakery management should also continue with having a database of customer addresses and/or phone numbers on file in order to respond to customers who contact the firm placing their orders.

The management of the bakery should uphold one-to-one communication with a customer. Furthermore, the management needs to uphold analysis of customer data to look for information on past relationships which can help build relational exchanges.

The Kiddawalime bakery management should in addition uphold the digital relationships/engagements through social media platforms like Facebook and Twitter to communicate with customers. This is a key element as it saves on resources and the scope of reach of customers is enhanced.

## 5.5 Contribution of the study

The findings of the study are an addition to the existing body of knowledge in the field of relationship marketing and customer loyalty. Kiddawalime bakery can also use these findings to formulate strategies aimed at improving the loyalty of its customers in order to have a competitive edge over the rest of the competitors.

## 5.6 Limitations

The study was limited by some of the factors discussed below:

The study only captures information from 133 respondents who may not necessarily be representative of the bakery clientele. In addition the findings were based on customers and staff of Kampala meaning that ideas of the upcountry customers and staff are not represented yet the bakery also sells its products there through its upcountry branches.

Kiddawalime bakery does not deal directly with its customers. The products are sold through sales representatives. This made reaching the customers troublesome yet their ideas and perceptions for this study were very important. The researcher managed to overcome this by handing some of the questionnaires to the sales representatives to deliver them to the customers.

The researcher also faced a challenge of some people not willing to participate by asking how the study was beneficial to them. In some instances some asked to be given some little pay for them to be able to fill the questionnaires. The researcher overcame that challenge by convincing the respondents that the research was to help them to be served better by the bakery in the long run.

The researcher also faced a challenge of the high levels of illiterate customers that the bakery possesses. A great number of respondents requested that they be issued questionnaires in their local languages other than the ones in English but because of limited time, there was no chance to grant their request.

## 5.7 Areas for further Research

This study focused on relationship marketing and customer loyalty at Kiddawalime bakery. Future research should therefore focus on variables that the researcher did not give attention to yet they could as well have an impact on the loyalty of customers like;

1. Sales personality and sales performance in the baking industry of Uganda.
2. Relationship Marketing and performance of bakeries in Uganda.
3. Factors affecting customer loyalty in the baking industry of Uganda.

This shows that a critical look at the above areas derives a holistic picture in regards to relationship marketing and customer loyalty in the baking industry of Uganda using a case of Kiddawalime Bakery Ltd.

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# **APPENDICES**

# **Appendix 1: Questionnaire for staff and customers of Kiddawalime Bakery Ltd**

**Dear respondent,**

 You have been selected to give your views by filling this questionnaire, which is aimed at collecting data on Relationship Marketing and Customer Loyalty at Kiddawalime Bakery Ltd. This research is being undertaken in partial fulfillment for the award of a Master’s Degree in Marketing Management hence the research is purely for academic purposes. Please note that data collected will be treated with confidentiality.

Thank you

Irene Kobusinje

Research Student

Uganda Management Institute

**Instructions**

Please tick an option which you think is the most appropriate to you.

**Introduction**

**Section A: General Information**

1) Gender

 a) Male b) Female

2) Age bracket

 a) 20-29 years b) 30-39 years

 c) 40-49 years d) 50 and above

Category

a) Manager b) Sales representative

c) Customer

3) How long have you worked or done business with Kiddawalime Bakery?

a) Less than a year b) 1-5years

c) 6-10years d) Over 10years

**Section B: Relationship Marketing Practices**

**Instructions:** In the following section, please tick an option showing the extent to which you agree or disagree with the statement following the scale below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Strongly agree** | **Agree** | **Not sure** | **Disagree** | **Strongly disagree** |
| **5** | **4** | **3** | **2** | **1** |
|  | **RELATIONSHIP MARKETING PRACTICES**  | 5 | 4 | 3 | 2 | 1 |
|  | **TRUST** |  |  |  |  |  |
| 1 | Goods are delivered to customers on time. |  |  |  |  |  |
| 2 | There is consistency of bakery products in terms of quality. |  |  |  |  |  |
| 3 | Bakery products are always delivered to customers in the right quantities. |  |  |  |  |  |
| 4 | Kiddawlime Bakery ensures that it fulfills all the promises made to customers. |  |  |  |  |  |
| 5 | I feel very little risk when dealing with Kiddawalime bakery. |  |  |  |  |  |
| 6 | Information provided by kiddawalime bakery is always accurate. |  |  |  |  |  |
| 7 | Kiddawalime bakery exhibits a high level of trustworthiness and reliability.  |  |  |  |  |  |
|  | **COMMITMENT** | 5 | 4 | 3 | 2 | 1 |
| 1 | Engages in product customization for key customers for example “Baked specifically for St Lawrence schools”. |  |  |  |  |  |
| 2 | Consistently goes out of its way to let customers know how much they are valued. |  |  |  |  |  |
| 3 | I expect my relationship with Kiddawalime bakery to continue for a long time. |  |  |  |  |  |
| 4 | Kiddawalime bakery is committed to betterment of its customers. |  |  |  |  |  |
| 5 | I feel a sense of belonging with Kiddawalime bakery. |  |  |  |  |  |
| 6 | Kiddawalime staff are committed to problem solving as and when issues with customers occur. |  |  |  |  |  |
|  | **COMMUNICATION** | 5 | 4 | 3 | 2 | 1 |
| 1 | Kiddawalime bakery carries out research regularly on their clientele to enable them find out challenges that their customers face and market needs.  |  |  |  |  |  |
| 2 | Keeps customer addresses and/or phone numbers on file in order to respond to customers who contact the firm placing their orders. |  |  |  |  |  |
| 3 | Kiddawalime bakery contacts its customers to inform of them about any new products. |  |  |  |  |  |
| 4 | Usually enters into one-to-one communication with a customer.  |  |  |  |  |  |
| 5 | Analyzes customer data to look for information on past relationships which can help build relational exchanges.  |  |  |  |  |  |
| 6 | Integrates feedback given by customers so as to better its products and service delivery.  |  |  |  |  |  |
| 7 | Customers are always able to reach kiddawalime bakery through its help lines. |  |  |  |  |  |
| 8 | Relates with social media platforms like Facebook and Twitter to communicate with customer. |  |  |  |  |  |
| 9 | Possesses an efficient system of monitoring and effective [listening](http://www.dreamgrow.com/48-free-social-media-monitoring-tools/)[**.**](http://wiki.kenburbary.com/home) |  |  |  |  |  |
|  | **LOYALTY** | 5 | 4 | 3 | 2 | 1 |
| 1 | I am willing to continue supporting kiddawalime bakery by purchasing its products.  |  |  |  |  |  |
| 2 | I am willing to refer my friends, family and associates to Kiddawalime bakery so that they can also benefit from its products and services. |  |  |  |  |  |
| 3 | I do not have any plans of switching to buy products from any other bakery except Kiddawalime bakery. |  |  |  |  |  |
| 4 | Attains referrals from online plat forms as well as through other marketing forms |  |  |  |  |  |
| 5 | Embraces a customer-oriented culture whose role is to keep selected customers for a lengthy period.  |  |  |  |  |  |

 Thank you.

# **Appendix II: Interview Guide**

**Trust**

1. How does Kiddawalime bakery ensure that it fulfills promises made to customers?
2. How does the bakery ensure that customers are given the right goods at the right time, in the right quantities and quality and at the right place?
3. How is change communicated to customers?

**Commitment**

1. How flexible is the company when it comes to things like late orders and changes in customer orders?

2. What efforts does the bakery put in to ensure betterment of its customers?

 3. How does the bakery appreciate its customers?

4. What plans does the bakery have for customization of its products to suit particular groups of customers?

 **Communication**

1. How is customer information kept?
2. Are staff trained on customer relationship management?
3. How are customer complaints managed?
4. How does the company generate referrals?

**Loyalty**

1. What is the meaning of the word loyalty?
2. What do customers of Kiddawalime bakery do that shows that they are loyal or not loyal to the company?
3. What does Kiddawalime Bakery have to do to make its customers loyal?

# **Appendix III: Introductory Letter**

# **Appendix IV: Anti - Plagiarism Report**